

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: D-3
DATE: June 9, 2009
SUBJECT: Water Rates Proposed Ordinances
CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is to discuss the water rate ordinances prepared for First Reading:

1. Ordinance No. 1043-09 adopts a five (5) year water rate structure for single-family, multi-family and commercial customers. New rates would be effective December 1, 2009; and increases the general facility charge (GFC) from \$5,254 to \$6,209 paid by new development to connect to the City's water system. The new charge would be effective December 1, 2009.
2. Ordinance No. 1044-09 amends Sultan Municipal Code Chapter 13.12 "Water" to make housekeeping changes; and remove rates, fees and charges to Ordinance 1043-09.

STAFF RECOMMENDATION:

Review the water rate study findings and rate options and direct staff to prepare adopting ordinance for First Reading at the Council meeting on June 11, 2009.

SUMMARY:

The Council reviewed the water rate study findings and rate options at the Council retreat on March 21, 2009 and at the Council meeting on April 9, 2009. The City Council held a public hearing and took public comment at the Council meeting on April 23, 2009. At the Council meeting on May 14, 2009 the Council directed staff to set a special meeting on June 9, 2009 to continue discussion of the proposed rates.

Ordinance 1043-09 (Attachment B) is based on the following:

1. Reducing the water "allowance for residential users from 600 cf/month to 300 cf/month.
2. Eliminating the water allowance of 600 cf/month for commercial and multi-family users
3. Increasing the GFC from \$5,254 to \$6,209 to meet the City's long-term financial needs in the water utility.
4. Adopting a five (5) year water rate structure

Proposed Rate Structure

- Increases rates by 11.25% in 2010/2011 and 4% in 2012-2013.
- Reduces the single-family residential allowance from 600 cf/month to 300 cf/month. Base rate decreases in 2010 from \$25.25 to \$23.65. Volume use increases in 2010 from \$2.28 to \$2.54/100cf for use over 300 ccf/month.
- More equitable for multi-family where median user is less than 4 ccf/month. Multi-family is not paying to support single-family household use. Low end users (multi-family, seniors and small households) are not paying for water they don't use.
- Splits multi-family into its own class since water use is different than single family.
- Eliminates the commercial / multifamily allowance
- Incorporates water conservation features per state water use efficiency rule.

The General Facility Charge (GFC) increases from \$5,254 to \$6,209

- The GFC may be adjusted annually to capture capital costs from 6-year Capital Improvement Plan (CIP) and changes in the Engineering News Record Construction Cost Index.
- The charge may be adjusted according to AWWA flow factor equivalencies.
- The charge per equivalent residential unit will be \$5,254, if paid before the city's close of business on November 30, 2009. After November 30, 2009 the charge per equivalent residential unit will be \$6,209.

New water rates and general facilities charge is effective December 1, 2009:

- Delays repair and replacement revenues until 2010. Debt service payments out of capital funds reducing ending fund balance and delaying improvements to serve future growth.
- Delays impacts on rate payers.

Ordinance 1044-09 (Attachment C) adopts changes to Sultan Municipal Code Chapter 13.12 "Water"

- Makes housekeeping changes to update job titles and departments (e.g. replaces city clerk/treasurer with finance director)
- Removes, charges, fees, rates and penalties to Ordinance No. 1043-09.
- Increases fines and penalties established in 1976 from a minimum of \$25 and maximum of \$250 to a minimum of \$250 and a maximum of \$1,000 to reflect 33 years of cost of living increases.

DISCUSSION:

The following tables illustrate the water rates adopted by Ordinance No. 1043-09:

Residential Rate Structure**Reduce “allowance” from 600 cf/month to 300 cf/month**

Single Family						
Option 4 - Half Allowance (11.25%-2010)						
Usage	Existing	12/2009	12/2010	12/2011	12/2012	12/2013
2	\$25.25	\$23.65	\$26.31	\$29.27	\$30.44	\$31.66
4	\$25.25	\$26.19	\$29.14	\$32.42	\$33.72	\$35.07
6	\$25.25	\$31.27	\$34.80	\$38.72	\$40.28	\$41.89
8	\$29.81	\$36.35	\$40.46	\$45.02	\$46.84	\$48.71
12	\$38.93	\$46.51	\$51.78	\$57.62	\$59.96	\$62.35
18	\$52.61	\$61.75	\$68.76	\$76.52	\$79.64	\$82.81
30	\$79.97	\$92.23	\$102.72	\$114.32	\$119.00	\$123.73

Multi-family**No allowance and reduce base charge**

Multifamily (Assumes 4 Units)						
Option 2 - No Allowance (11.25%-2010)						
Usage	Existing	12/2009	12/2010	12/2011	12/2012	12/2013
3	\$101.00	\$70.74	\$78.73	\$87.61	\$91.12	\$94.75
5	\$101.00	\$75.82	\$84.39	\$93.91	\$97.68	\$101.57
15	\$101.00	\$101.22	\$112.69	\$125.41	\$130.48	\$135.67
20	\$101.00	\$113.92	\$126.84	\$141.16	\$146.88	\$152.72
30	\$114.68	\$139.32	\$155.14	\$172.66	\$179.68	\$186.82
40	\$137.48	\$164.72	\$183.44	\$204.16	\$212.48	\$220.92
50	\$160.28	\$190.12	\$211.74	\$235.66	\$245.28	\$255.02

Commercial**No allowance and reduce base charge**

Commercial Based on ¾” pipe						
Option 2 - No Allowance (11.25%-2010)						
Usage	Existing	2010	2011	2012	2013	2014
5	\$27.25	\$29.44	\$32.77	\$36.46	\$37.94	\$39.45
10	\$36.37	\$42.14	\$46.92	\$52.21	\$54.34	\$56.50
15	\$47.77	\$54.84	\$61.07	\$67.96	\$70.74	\$73.55
20	\$59.17	\$67.54	\$75.22	\$83.71	\$87.14	\$90.60
30	\$81.97	\$92.94	\$103.52	\$115.21	\$119.94	\$124.70
40	\$104.77	\$118.34	\$131.82	\$146.71	\$152.74	\$158.80
50	\$127.57	\$143.74	\$160.12	\$178.21	\$185.54	\$192.90

Why is a rate increase needed at this time?

The last water rate study was completed in 2004. Ordinance No. 864-04 was effective December 1, 2004 and set \$2/year increases in the base water rates for five years. The last rate increase took effect December 1, 2008. The current base rate is \$25.25. The base rate includes 600 cubic feet of water per month (6ccf) for all residential (single family and multi-family) and commercial users.

The City Council approved a water rate study in 2008 in part because water revenues were not adequate to cover operating expenses in the 2008 budget. Since the water utility is an enterprise fund, the user fees and revenues collected must cover expenses.

The need to increase water rates is driven by four primary factors:

1. Operation and maintenance costs increase each year. The City anticipates operating and maintenance costs will increase an average of about 3.5 percent per year. Water rates represent about 82 percent of the water system's annual revenues. Non-rate revenues are relatively static and are not expected to increase with increased costs. There is no grant funding for operations and maintenance. A 3.5% increase is necessary to fund on-going operations.
2. Current rates do not support an ongoing repair and replacement program. The water fund does not include funding to repair and/or replace existing infrastructure to serve current users. The water fund does not have an emergency reserve.
3. Current revenues do not support debt service or ongoing capital improvements. Rate increases are needed to fund the debt service and capital improvements to serve current customers.

During high growth years, 70% of the general facility charge paid by new customers was covering debt service payments for plant improvements used to serve current customers.

With the downturn in the economy and few new connections, debt service payments for previous plant improvements must come out of the operating or capital fund. Debt service payments for 2009 are \$50,000 for water revenue bonds and \$152,000 for the Everett water connection and second storage tank (Attachment C).

4. Due to water conservation efforts, water demands are expected to decline each year (assuming normal weather patterns and economic conditions). Increased costs will need to be spread over decreased water sales, necessitating a rate increase just to maintain stable revenues.

In short, it is not realistic to expect that water rate increases can be limited to the general rate of inflation. In order to meet both ongoing operating as well as capital program needs, rate increases ranging from 11.25 to 4.0 percent per year are required during the next five years.

Without the proposed rate increase there is a “net deficiency” in the utility fund. The net deficiency increases to \$419,503 in 2014.

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,788	95,838	95,275	94,989	95,090
Total Revenues	\$ 937,237	\$ 876,215	\$ 893,726	\$ 913,110	\$ 933,270	\$ 954,328
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	73,576	73,576	73,576	73,576
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,178,295	\$ 1,240,219	\$ 1,307,000	\$ 1,373,832
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Annual Rate Adjustment	11.25%	11.25%	11.25%	4.00%	4.00%	4.00%
Rate Revenues After Rate Increase	\$ 802,166	\$ 963,426	\$ 1,098,607	\$ 1,171,115	\$ 1,248,408	\$ 1,330,803
Additional Taxes from Rate Increase	\$ 2,148	\$ 9,304	\$ 15,123	\$ 17,766	\$ 20,625	\$ 23,715
Net Cash Flow After Rate Increase	6,788	6,844	1,026	8,404	15,772	28,346
Coverage After Rate Increases	2.75	4.25	2.63	2.86	3.05	3.32
Average SF Monthly Bill (using 8 ccf per month)	\$ 33.16	\$ 36.89	\$ 41.05	\$ 42.69	\$ 44.39	\$ 46.17
Monthly Increase	\$ 3.35	\$ 3.73	\$ 4.15	\$ 1.64	\$ 1.71	\$ 1.78

As shown below, increasing the rates annually provides a small net cash flow - \$6,788 in 2009 and \$28,346 in 2014. An 11.25% increase translates into a \$3.35 increase in the base rate in 2009 and a 4.0% (\$1.78) increase in 2014.

Generally, the balance in the Water Fund should exceed the target levels for reserves (the amount in excess is available for general water utility purposes). As the balance of the Water Fund declines operating reserves and capital reserves are used.

Why can't the city reduce costs?

As described previously, the City's water utility has a financial deficit. Current rates are not sufficient to cover operating costs and debt service for capital improvements. There are two ways to correct this situation. One is to reduce annual costs and the second is to increase revenues.

Reduce Annual Costs. The City already closely scrutinizes the operating budget. Eliminating a large part of the capital improvement program (e.g. electronic water meters and plant improvements) will not reduce annual costs and eliminate the current deficit in the capital budget. Capital investments are necessary to maintain and extend

the useful life of water system infrastructure and meet the demands brought by new growth.

Deferring capital projects (such as annual pipeline replacements) is at best a temporary stopgap measure. It would not solve the financial situation in the long-term and could have negative consequences.

One way or another, the City will need to increase water system revenues. While connection fees paid by new development and other miscellaneous water system revenues contribute to the financial resources of the utility, total non-rate revenues represent only a small percent of total water system revenue and non-rate revenues are expected to decline over the planning period.

Ultimately, the City will need to increase water rates to address the financial situation and meet ongoing operating and capital program costs. The following pages describe and present four options for increasing water rates over the next five years to meet the financial needs of the water system.

What happens if the City delays the increase until the economy recovers?

No one is sure when the economy may recover. The city is using the capital budget to pay debt service. The debt service payment is \$152,000 per year, there is approximately \$350,000 in the capital budget. The city's capital reserves needed to pay for improvements to serve future growth will be exhausted in two years. At which point water rates will need to be increased to pay debt service **and** rebuild the capital budget.

The city is currently updating its aging and failing mechanical water meters. Purchase of additional electronic water meters was removed to balance the 2009 budget. Electronic meters ensure the city is accurately recording water used. Electronic meters can be "read" by a single worker in one-day rather than taking several workers several days to manually read mechanical meters.

The city is not setting aside any money to repair and replace existing water service lines or water plant and equipment. There are no funds available for emergency repair and replacement. Last year the city had two sewer line failures costing more than \$40,000.

What is the current rate structure?

Under the existing system, the majority of the City's water revenues come from the base rate rather than from the volume of water used. The base rate should not include the "variable" cost of consumed water.

The base rate is the "fixed" charge and is intended to cover the "fixed" costs of operating the water system:

- 24/7/365 staff coverage of the water system
- Maintaining the watershed that produces the city's water
- Piping water from the watershed to the water plant
- Processing water at the water plant to state standards
- Daily water testing and reporting as required by state law (unfunded mandate)
- Properly storing water for delivery to customers on demand
- Maintenance, repair, replacement, and enhancement to the existing water system.
- Ensuring adequate fire flow and hydrant testing
- Managing the state's back-flow device program (unfunded mandate)
- Meeting state water use efficiency requirements – water conservation program (unfunded mandate)

Over time, the City and its residential customers will be best served by changing this formula so the majority of revenues are based on **residential use** rather than the base rate.

Approximately 80% of the City's water revenues come from residential users. Residential use changes from season to season. During the dry summer months, water use increases as a result of residential use from an average of 15 million gallons per day to 18.5 million gallons per day a 15% increase.

- The current base rate is \$25.25/month
- The base rate includes 600 cubic feet of water per month (6ccf) for residential and commercial users. This is a "variable" cost and should not be included in the base rate to operate the plant.
- It appears on average residential user are consuming between 400ccf and 800ccf of water each month.
- The majority of the City's water revenues come from the base rate rather than from the volume of water used.
- The majority of "usage" is not billed because it's in the fixed base rate (\$25.25/month).
- Seniors receive a 50% discount on their monthly base fee
- Multi-family/mobile homes charged per unit at the single family rate

Monthly Base Rate		
Meter	Single Family	Commercial
5/8"	\$ 25.25	
3/4"		27.25
1"		38.15
1.5"		49.05
2"		79.03
Volume Rate per 100 cf		
Over 600 cf	\$2.28	\$2.28

What alternatives does the City have?

When setting rates, the City needs to identify the objectives it wants to achieve. City staff have prepared the following rate setting objectives to guide the Council's discussion:

- Adequately fill all the short and longer-term needs of the water system including operating costs, capital costs, debt service and contingency funds.
- Continue to protect the affordability of basic water use, even as water rates increase
- Treat ratepayers fairly
- Encourage conservation
- Adjust rates annual to keep pace with costs and avoid large rate increases to make up deficiencies.
- Minimize volatility in the fund.

The City Council considered four options and accepted public comment on the alternatives during the public hearing:

1. Fixed annual increase for all customers
 - The base rate would increase by a fixed percentage (10% or 11.25%) each year for the next five years.
 - No change in the 6ccf monthly allowance.
 - Fixed service charges are a disproportionately large portion of bills for low volume users. Low volume users are “underwriting” high volume users
 - No price signal to encourage conservation
2. No allowance (eliminate the 6ccf/month), reduce the fixed charge, annual percentage increase
 - 6ccf per month allowance is eliminated
 - Fixed charge of \$25.25 per month is reduced to \$16.95/month (10%) or \$17.13 (11.25%) because no allowance.
 - In order to collect overall 10% or 11.25% increase, users above 5ccf pay 15.24%-26.86%
 - Lease equitable approach for single family residential because the median user is between 6ccf-12ccf/month. More equitable for multi-family median user is less than 4 ccf. Multi-family is not paying to support single-family household use.
3. Inverted block structure - residential customers only
4. Reduce allowance from 6ccf to 3 ccf.
 - 6ccf per month is reduced to 3 ccf per month
 - Fixed charge of \$25.25 per month is reduced to \$23.65 in 2010 because reduced allowance.
 - Low end users are not paying for water they don't use and to support high-end users.

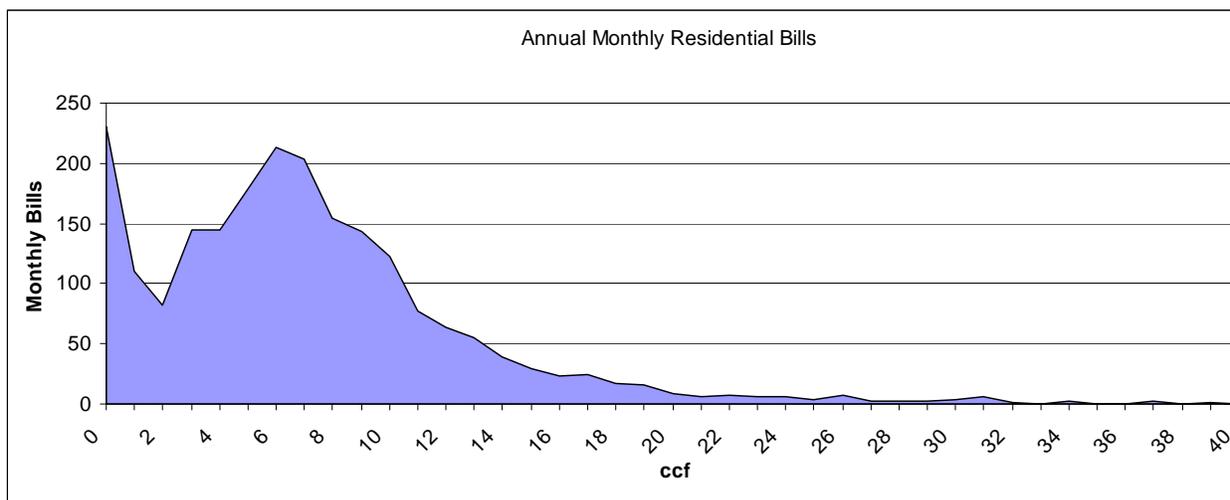
How much water do customers use?

The City Council is considering a proposal to revise the water rate structure by lowering the base rate charged for water from \$25.25 to \$23.38. The amount of water included in the base rate would decrease from 600 cubic feet of water (6ccf) per month to 300 cubic feet (3ccf) of water per month.

At the public hearing on April 23, 2009, Councilmember Blair asked for the break out of monthly water use by cubic feet. The table below shows the residential customer and volume distribution based on usage assuming no conservation.

Table 1 - Residential Use

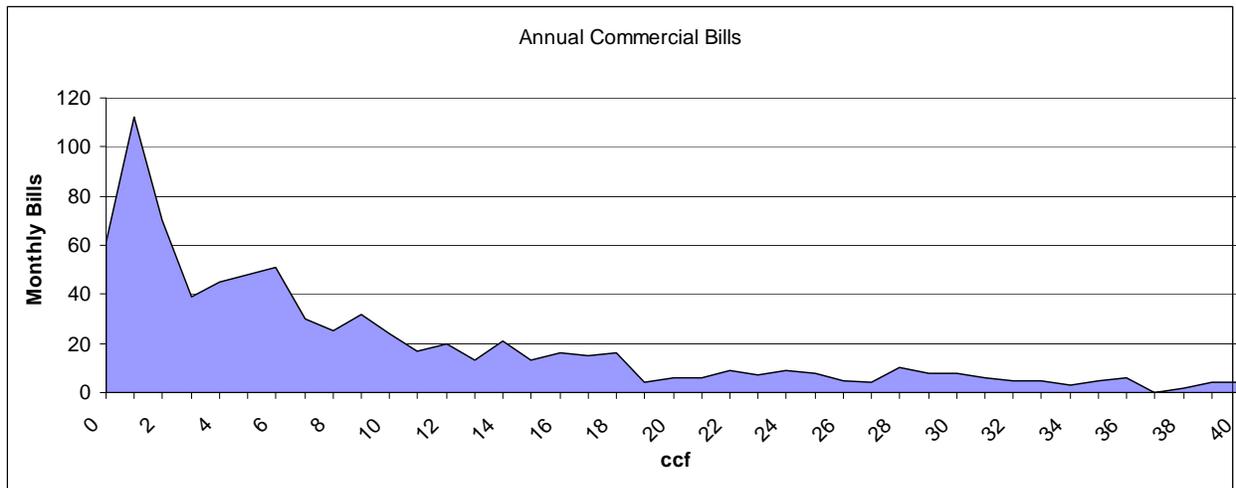
Residential	Options					
	Existing Rate	1 - 11.25% Increase 600ccf/mo	2 - 11.25% increase no allowance	3 - 11.25% inverted block	4 - 11.25% increase 300ccf/mo	
0	10.71% \$25.25	\$28.09	\$17.13	\$18.65	\$23.65	
1	15.83% \$25.25	\$28.09	\$19.67	\$20.68	\$23.65	
2	19.65% \$25.25	\$28.09	\$22.21	\$22.71	\$23.65	
3	26.40% \$25.25	\$28.09	\$24.75	\$24.74	\$23.65	
4	33.10% \$25.25	\$28.09	\$27.29	\$26.77	\$26.19	
5	41.43% \$25.25	\$28.09	\$29.83	\$28.80	\$28.73	
6	51.35% \$25.25	\$28.09	\$32.37	\$30.83	\$31.27	
7	60.80% \$27.53	\$30.63	\$34.91	\$37.76	\$33.81	
8	68.02% \$29.81	\$33.17	\$37.45	\$40.49	\$36.35	
9	74.67% \$32.09	\$35.71	\$39.99	\$43.22	\$38.89	
10	80.35% \$34.37	\$38.25	\$42.53	\$45.95	\$41.43	
11	83.94% \$36.65	\$40.79	\$45.07	\$48.68	\$43.97	
12	86.92% \$38.93	\$43.33	\$47.61	\$51.41	\$46.51	



Although the data is slightly skewed because of weather related readings (i.e. no readings were made in December due to snow conditions). The chart clearly shows the majority of customers use between 400 cf and 800 cf. A quick analysis of April 2009 shows only 6% of users (approximately 87 customers) used less than 300 cf and 30 % of customers (436.5) use between 300 cf and 600 cf.

Table 2 – Commercial Use
 3/4" meter 1
 Commercial unit

Monthly Usage (ccf)		Existing Rate	Option 1 - Across the Board	Option 2 - No Allowance
0	6.27%	\$ 27.25	\$ 30.32	\$ 16.74
1	17.78%	\$ 27.25	\$ 30.32	\$ 19.28
2	24.97%	\$ 27.25	\$ 30.32	\$ 21.82
3	28.98%	\$ 27.25	\$ 30.32	\$ 24.36
4	33.61%	\$ 27.25	\$ 30.32	\$ 26.90
5	38.54%	\$ 27.25	\$ 30.32	\$ 29.44
6	43.78%	\$ 27.25	\$ 30.32	\$ 31.98
7	46.87%	\$ 29.53	\$ 32.86	\$ 34.52
8	49.43%	\$ 31.81	\$ 35.40	\$ 37.06
		\$		
9	52.72%	34.09	\$ 37.94	\$ 39.60
		\$		
10	55.19%	36.37	\$ 40.48	\$ 42.14
		\$		
11	56.94%	38.65	\$ 43.02	\$ 44.68
		\$		
12	58.99%	40.93	\$ 45.56	\$ 47.22



ALTERNATIVES:

1. Direct staff to return to Council on June 11, 2009 to have First Reading of Ordinance No. 1043-09 adopting a five year water rate schedule and a new increased general facilities charge; providing for severability; and establishing an effective date; and Have First Reading of Ordinance No. 1044-09.

This action implies the City Council is comfortable with the changes to the water rates and general facilities charge as outlined in the proposed ordinances and is prepared to have First Reading.

2. Direct staff to make changes to the either of the ordinances prior to the meeting on June 11, 2009.

This action implies the City Council would like to make specific changes prior to First Reading. The changes approved by the City Council would be incorporated into the either of the ordinances as an action from the floor during the Council meeting.

3. Do not schedule First Reading of either one or both of the proposed ordinances. Direct staff to areas of concern.

This action implies the City Council has material concerns about one or both of the ordinances and is not prepared to have First Reading at this time.

ATTACHMENTS

- A – Water Rate Study – Public Hearing Powerpoint
- B – Ordinance No. 1043-09 Adopting Water Rates and General Facilities Charge
- C – Ordinance No. 1044-09 Amending SMC 13.12 Water
- D – Public comment

City of Sultan



Presentation of the
Water Utility Rate Study Update
City Council Meeting
April 23, 2009

Rate Study Process to Date

- Working on Technical Analysis Over Last Several Months
- Met with Council to Present Detailed Study Results on March 21, 2009 and April 9, 2009
- Public Hearing April 23, 2009
 - ✓ Overview of Water Rate Study Findings
 - ✓ Alternatives to rate increase
 - ✓ Feedback and public comment on General Facility Charge
 - ✓ Feedback and public comment on preferred rate options
 - ✓ Direction on preparing adopting ordinance for May 14, 2009

Policy Direction Required

- Direction on the General Facility Charge (GFC)
 - ✓ Current \$5,254 Proposed \$6,209
- Direction on the Rate Adjustments:
 - ✓ Base Case - 10% increase 2010/2011
 - ✓ Alternative Scenario (Staff Recommendation) – 11.25% 2010/2011
- Direction on Rate Structure:
 - ✓ Residential: staff recommends option 4 – Half Allowance
 - ✓ Commercial / Multifamily: staff recommends option 2 – No Allowance, Reduced Base Charge, Meter Charges Follow AWWA

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What is a rate study?

- A multi-year forecast that evaluates sufficiency of current rates on a **stand-alone** basis
- Determines the amount of revenue necessary to meet **all** utility system financial obligations
 - ✓ Operating costs
 - ✓ Capital costs
 - ✓ Fund Balances
 - ✓ Financial policies
- Develops rate implementation strategy
- “Living” forecast that should be checked annually during budget process

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Where does our water come from?



What does it cost?

Operating Costs		2009 Capital Costs	
Salaries/Benefits (5.51 FTE)	\$ 411,725	Debt	
Operating/Office Supplies	\$ 27,500	Revenue Bond	63,378
Interfund for Bonds	90,000	PWTF Loan	17,129
Professional Svc	30,000	PWTF Loan	54,015
Utilities	25,000	SRF Loan	80,006
Everett Water	8,000	Total Annual Debt Service	\$214,529
Equipment Repair/ Replacement	27,000	2009 Capital Improvements	
Miscellaneous	16,000	Sultan Basin Road - WL and PRV Station	100,000
Total	653,725	Sultan River Crossing 12" Main	25,000
		2009 Capital	\$ 125,000

What does the budget include?

- 24/7/365 coverage of water system
- Watershed maintenance
- Piping water from watershed to plant
- Processing water at plant to state guidelines
- Daily water testing (unfunded mandate)
- Properly storing water at plant for delivery to customers on demand
- Maintenance, repair, replacement, and enhancement of the existing water system
- Building capacity for new growth
- Ensure adequate fire flow and hydrant testing
- Managing the state's back-flow device program (unfunded mandate)
- Implementing State's water use efficiency "conservation" requirements (unfunded mandate)
- Six-Year Water System Plan (unfunded mandate)

Why do we need a rate increase now?

- Operating and Maintenance costs increase each year
 - ✓ Salaries and Benefits, chemicals, utilities, repairs, etc.
- No funding for repair/replacement of existing plant and equipment
 - ✓ Purchasing electronic water meters on hold in 2009
- No emergency reserve
 - ✓ No funding set aside to repair water main breaks or plant failure
- No new connections to pay for debt service
 - ✓ New connections were paying 70% of debt service for current customers

Can we reduce expenses?

- Salaries and Benefits
 - ✓ Delay public works reorganization
 - ✓ Move salary expenses to other operating funds or general fund
- Delay investment in electronic water meters
 - ✓ Delayed investment in 2009
 - ✓ Labor intensive to read mechanical meters
 - ✓ Mechanical meters old / readings not accurate
- Delay investment in repair and replacement
 - ✓ Increases future expenses if delay exceeds 2-3 years
- Pay debt service from capital budget
 - ✓ Rob Peter to pay Paul
 - ✓ Capital budget can support debt service for 2-years
 - ✓ Uses future growth funding to pay current expenses

What if we delay increase?

- No funding for emergency repair and replacement
- No funding for equipment replacement
- Capital funding depleted
 - ✓ No funding for high level reservoir and other systems to serve new growth
 - ✓ New development put on hold until new water systems in place
- Future rate increases and general facility charge will be greater to replenish capital funds
- Electronic water meter program put on hold increasing costs for current customers
- Public works reorganization put on hold
- City doesn't meet state auditor's performance standards

Existing Rates

Monthly Base Rate		
Meter	Single Family	Commercial
5/8"	\$ 25.25	
3/4"		27.25
1"		38.15
1.5"		49.05
2"		79.03
Volume Rate per 100 cf		
Over 600 cf	\$2.28	\$2.28

- Notes:*
- Assumes 600 cf per unit allowance
 - Allowance per month
 - Outside city accounts have an additional 1.5 multiplier
 - Seniors receive a 50% discount on their monthly base fee
 - Multi-family/mobile homes charged per unit at the single family rate

Revenue Requirement Key Factors

- Study period: 2009 – 2014
- Used 2009 budget as base for revenues and expenses
 - ✓ Includes 1/5th of Public Works Supervisor position
 - ✓ Customer growth 2.5% per year from water comp plan
- Rate Revenue calculated using City provided customer statistics
- Total capital costs 2009 - 2014= \$3.4 million
 - ✓ \$545k in new debt 2011
- Annual existing debt service = \$200k - \$214k
 - ✓ New debt service = \$49k additional
 - ✓ GFC revenue down significantly due to economy
 - ✓ Historically GFC revenue covered 70% of total debt
 - ✓ Analysis indicated that 33% of debt should be funded from GFCs

Rate Structure Changes

- Split the Multifamily customers into their own class
 - ✓ Multi-family not using 600 cf water/month (closer to 400cf-500cf)
 - ✓ Supplementing single-family and high end users
- Eliminate or reduce current allowance
 - ✓ Currently each customer receives 600 cubic feet of water per month with the base charge – volume charge kicks in on usage > 600
 - ✓ Lower the rates for low end users
- Incorporate Conservation Features
 - ✓ Inverted (increasing) block rate structure for Single Family Customers only
 - ✓ Meet state guidelines for water conservation efforts
- Base charge tied to American water works association (AWWA) flow factors

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Rate Objectives

- Fill all long and short term needs
 - ✓ Operating costs, capital costs, debt service, contingency funds
- Protect affordability of basic water use even as rates increase
- Treat ratepayers fairly
- Encourage conservation
- Adjust rates annually to keep pace with costs
- Avoid large rate increases to make up deficiencies
- Minimize volatility in the fund

Rate Design Scenarios

- Option 1: Across-the-board increases – Equal increases to all classes and all rate components
- Option 2: No allowance, reduced monthly base charge, commercial base charge pricing follows AWWA factors
- Option 3: Single Family Only- inverted block structure for single family customers
- Option 4: Single Family Only – Half Allowance, maintain current rate structure

Alternative Scenario Revenue Requirement

- Alternative scenario considered the following:
 - ✓ No cash flow deficiency in any year
 - ✓ Near 90 day minimum target in Utility Water Fund by 2014
 - ✓ CR utility near or above \$200k minimum target
 - ✓ Additional debt required - \$825k in 2011 (baseline \$525k)
 - ◆ Debt is for the Sultan River Crossing 12" Main project and for the Alder Street Reconstruction and Improvement project
 - ✓ Additional annual debt service = \$73.6k (additional \$25k per year)

- Resulting rate increases:

	Alternative	Baseline
2009	11.25%	10.00%
2010	11.25%	10.00%
2011	11.25%	10.00%
2012	4.00%	5.25%
2013	4.00%	5.25%
2014	4.00%	5.25%

Single Family Rate Options

Single Family								
Scenarios	Option 1 - Across the Board		Option 2 - No Allowance		Option 3 - Inverted Block		Option 4 - Half Allowance	
	10.00%	11.25%	10.00%	11.25%	10.00%	11.25%	10.00%	11.25%
Mo. Base Rate	\$27.78	\$28.09	\$16.95	\$17.13	\$18.50	\$18.65	\$23.38	\$23.65
Volume Rate/100 cf								
Over 600 cf	\$2.51	\$2.54						
All Use /100 cf			\$2.51	\$2.54				
Block 1: 0-600 cf					\$2.00	\$2.03		
Block 2: 601-1200 cf					\$2.70	\$2.73		
Block 3: 1,201+ cf					\$3.50	\$3.53		
Over 300 cf							\$2.51	\$2.54

Notes:

Outside City accounts have an additional 1.5 multiplier
Seniors receive a 50% discount on their fixed charge

Single Family Bill Comparisons 10.00% & 11.25 Scenarios

Single Family Bill Comparisons									
Usage 100 cf	Existing Rates	Option 1 - Across the Board		Option 2 - No Allowance		Option 3 - Inverted Block		Option 4 - Half Allowance	
		10.00%	11.25%	10.00%	11.25%	10.00%	11.25%	10.00%	11.25%
2	\$ 25.25	\$ 27.78	\$ 28.09	\$ 21.97	\$ 22.21	\$ 22.50	\$ 22.71	\$ 23.38	\$ 23.65
4	25.25	27.78	28.09	26.99	27.29	26.50	26.77	25.89	26.19
6	25.25	27.78	28.09	32.01	32.37	30.50	30.83	30.91	31.27
8	29.81	32.80	33.17	37.03	37.45	35.90	36.29	35.93	36.35
12	38.93	42.84	43.33	47.07	47.61	46.70	47.21	45.98	46.51
18	52.61	57.90	58.57	62.13	62.85	67.70	68.39	61.04	61.75
30	79.97	88.02	89.05	92.25	93.33	109.70	110.75	91.17	92.23

Notes:

- Average annual single family use is 600 cubic feet per month
- Allowance per dwelling unit
- Approximately 78% of residential customers fall into block 1, 17% fall into block 2 and 5% fall into block 3

Multi-Family Proposed Rates and Bill Comparisons 10.00% & 11.25 Scenarios

Multi-Family					
Scenarios	Option 1 - Across the Board		Option 2 - No Allowance		
	10.00%	11.25%	10.00%	11.25%	
Mo. Base Rate/Unit					
	\$27.78	\$28.09	\$15.60	\$15.78	
Volume Rate/100 cf					
Over 600 cf	\$2.51	\$2.54			
All Usage			\$2.51	\$2.54	

Multi Family Bill Comparisons 4 Units					
Usage 100 cf	Existing Rates	Option 1 - Across the Board		Option 2 - No Allowance	
		10.00%	11.25%	10.00%	11.25%
3	\$ 101.00	\$ 111.10	\$ 112.36	\$ 69.93	\$ 70.74
5	101.00	111.10	112.36	74.95	75.82
15	101.00	111.10	112.36	100.05	101.22
20	101.00	111.10	112.36	112.60	113.92
30	114.68	126.15	127.58	137.70	139.32
40	137.48	151.23	152.95	162.80	164.72
50	160.28	176.31	178.31	187.90	190.12

Notes:
 *Multi-family charged base rate per unit
 •Allowance per unit

Commercial Proposed Rates and Bill Comparisons 10.00% & 11.25% Scenarios

Commercial					
Scenarios	Option 1 - Across the Board		Option 2 - No Allowance		
	10.00%	11.25%	10.00%	11.25%	
Mo. Base Rate by Meter					
3/4"	\$29.98	\$30.32	\$16.60	\$16.74	
1"	\$41.97	\$42.44	\$27.72	\$27.96	
1.5"	\$53.96	\$54.57	\$55.28	\$55.74	
2"	\$86.93	\$87.92	\$88.48	\$89.22	
Volume Rate / 100 cf					
Over 600 cf	\$2.51	\$2.54			
All Usage			\$2.51	\$2.54	

Commercial Bill Comparisons 3/4" Meter - 1 Unit					
Usage 100 cf	Existing Rates	Option 1 - Across the Board		Option 2 - No Allowance	
		10.00%	11.25%	10.00%	11.25%
5	\$ 27.25	\$ 29.98	\$ 30.32	\$ 29.15	\$ 29.44
10	36.37	40.02	40.48	41.70	42.14
15	47.77	52.57	53.18	54.25	54.84
20	59.17	65.12	65.88	66.80	67.54
30	81.97	90.22	91.28	91.90	92.94
40	104.77	115.32	116.68	117.00	118.34
50	127.57	140.42	142.08	142.10	143.74

Notes:
 *Commercial charged base rate by meter size – plus each additional unit
 •Allowance per unit
 •Option 2 includes AWWA meter equivalency factors

Policy Direction

- Direction on the General Facility Charge (GFC)
 - ✓ Adopt GFC methodology
 - ✓ Update charge to \$6,209/ERU charge
 - ✓ Increase charge annually by Engineering News Record Construction Cost Index
 - ✓ Implement charge according to AWWA flow factor equivalencies
- Direction on the Rate Adjustments:
 - ✓ Base Case – 10% for first three years
 - ✓ Alternative Scenario – 11.25% first three years
- Direction on Rate Structure:
 - ✓ Residential: staff recommends option 4 – Half Allowance
 - ✓ Commercial / Multifamily: staff recommends option 2 – No Allowance, Reduced Base Charge, Meter Charges Follow AWWA

Staff Recommended Rate Structures

Commercial		Multifamily	
Option 2 - No Allowance		Option 2 - No Allowance	
Meter	Mo. Base Rate by Meter	Base Rate	Mo. Base Rate
3/4"	\$16.60	Per Unit	\$15.60
1"	\$27.72		
1.5"	\$55.28		
2"	\$88.48		
Volume Rate/ 100 cf		Volume Rate/ 100 cf	
All Usage	\$2.51	All Usage	\$2.51

Single Family	
Option 4 - Half Allowance	
Base Rate	Mo. Base Rate
Per Unit	\$23.38
Volume Rate/ 100 cf	
> 300 cf	\$2.51

Revenue Requirement Conclusions

- Rate adjustments are required to meet the financial needs of the water system.
- Base Scenario
 - ✓ Phase in over time to minimize impact
 - ✓ 10.00% in 2009, 2010 & 2011
 - ✓ 5.25% per year thereafter
 - ✓ Rates include addition of public works supervisor position = \$72,000 +20% benefits shared over five departments and funding for system reinvestment
- Operating fund
 - ✓ Running deficiency in annual cash flow \$14K and \$9K (2010 & 2011)
 - ✓ Balance sufficient to cover
 - ✓ 90 day target met in 2014
- CR utility fund above \$200K minimum in most years
 - ✓ 2011 at \$5K ending balance – however growth estimates conservative

General Facility Charge Update

- A one time charge imposed on new development to promote equity between new and existing customers
- Revenue for growth related capital projects or debt service NOT costs for O&M
- Generally accepted methodology used to calculate new charge
 - ✓ Existing cost basis from system asset listing + future costs from 6-year CIP
 - ✓ Maximum 10 years of interest to existing assets allowed
 - ✓ Deduct grants and developer contributions
 - ✓ Deduct debt service not paid for by GFC revenue
- Current GFC \$5,254/ERU
- Calculated Charge = \$6,181 to \$6,209/ERU

	2009	2010	2011	2012	2013	2014
Assumed Annual ERU Growth	10	20	40	72	74	76
Proposed GFC	\$ 6,209	\$ 6,457	\$ 6,716	\$ 6,984	\$ 7,264	\$ 7,554
Proposed GFC Revenue	\$ 62,090	\$ 129,147	\$ 268,626	\$ 506,124	\$ 539,528	\$ 575,137

Next Steps

- Incorporate feedback and comment into analysis
- Public Hearing April 23
- First Reading May 14
- Second Reading May 28
- Recommend updating rates annually or biannually to confirm assumptions for revenue, growth and capital

Appendix

Revenue Requirement Summary of Key Factors

- Incorporate Fiscal Policies
 - ✓ 90 day cash working capital target (\$162K - \$216K)
 - ✓ Capital fund minimum balance \$200K
 - ✓ Debt service coverage ≥ 1.25
- Revenue
 - ✓ Approved 12/1/08 rate increase incorporated into rate revenue calculation
 - ✓ Customer growth 2.5% per year from water comp plan
- Expenses
 - ✓ Expenses assumed the following annual escalation factors: general operations 3.5%, labor 5%, benefits/medical 10% per year, construction cost 5.0%
 - ✓ Public works supervisor position = \$72,000 +20% benefits shared over five departments

Capital Costs and Funding

- Capital funding associated with program
 - ✓ \$1.2 million from general facility charge revenue (current charge)
 - ✓ \$545K new debt (2011) base case, \$825K alternative scenario
 - ✓ \$975K rate revenue (\$100k - \$225k per year)
 - ✓ \$1.5 million in developer donations
 - ✓ Existing fund balances

Year	Water CIP (2008\$)	Water CIP (inflated)
2009	\$ 125,000	\$ 131,250
2010	103,600	114,219
2011	895,400	1,036,537
2012	289,200	351,524
2013	960,000	1,225,230
2014	365,000	489,135
Total	\$ 2,738,200	\$ 3,347,896

Inflated costs include 5.0%/year escalation

Revenue Requirements Analysis: Base Case

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,675	95,211	94,210	93,738	94,137
Total Revenues	\$ 937,237	\$ 876,103	\$ 893,099	\$ 912,045	\$ 932,019	\$ 953,375
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	48,604	48,604	48,604	48,604
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,153,324	\$ 1,215,248	\$ 1,282,929	\$ 1,348,861
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,963)	\$ (260,225)	\$ (303,202)	\$ (350,010)	\$ (395,485)
% of Rate Revenue	4.45%	21.71%	32.61%	37.07%	41.75%	46.03%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,963)	\$ (260,225)	\$ (303,202)	\$ (350,010)	\$ (395,485)
% of Rate Revenue	4.45%	21.71%	32.61%	37.07%	41.75%	46.03%
Annual Rate Adjustment	10.00%	10.00%	10.00%	5.25%	5.25%	5.25%
Rate Revenues After Rate Increase	\$ 797,414	\$ 941,897	\$ 1,061,989	\$ 1,145,687	\$ 1,235,982	\$ 1,333,393
Additional Taxes from Rate Increase	\$ 1,910	\$ 6,221	\$ 13,282	\$ 16,488	\$ 20,000	\$ 23,845
Net Cash Flow After Rate Increase	2,281	(13,714)	(9,405)	8,162	27,691	54,824
Coverage After Rate Increases	2.68	3.93	2.90	3.27	3.61	4.07
Average SF Monthly Bill (using 8 ccf per month)	\$ 32.79	\$ 36.07	\$ 39.68	\$ 41.76	\$ 43.95	\$ 46.26
Monthly Increase	\$ 2.98	\$ 3.28	\$ 3.61	\$ 2.08	\$ 2.19	\$ 2.31

Notes:

2009 Rate Increase is assumed to be in effect half of the year.
GFCs partially offset existing debt service

Revenue Requirements Analysis: Alternative Scenario

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,788	95,838	95,275	94,889	95,090
Total Revenues	\$ 937,237	\$ 876,215	\$ 893,726	\$ 913,110	\$ 933,270	\$ 954,328
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	73,576	73,576	73,576	73,576
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,178,295	\$ 1,240,219	\$ 1,307,000	\$ 1,373,832
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Annual Rate Adjustment	11.25%	11.25%	11.25%	4.00%	4.00%	4.00%
Rate Revenues After Rate Increase	\$ 802,160	\$ 963,426	\$ 1,098,607	\$ 1,171,115	\$ 1,248,408	\$ 1,330,803
Additional Taxes from Rate Increase	\$ 2,148	\$ 9,304	\$ 15,123	\$ 17,766	\$ 20,825	\$ 23,715
Net Cash Flow After Rate Increase	6,788	6,844	1,026	8,404	15,772	28,346
Coverage After Rate Increases	2.75	4.25	2.63	2.86	3.05	3.32
Average SF Monthly Bill (using 8 ccf per month)	\$ 33.16	\$ 36.89	\$ 41.05	\$ 42.69	\$ 44.39	\$ 46.17
Monthly Increase	\$ 3.35	\$ 3.73	\$ 4.15	\$ 1.64	\$ 1.71	\$ 1.78

Notes:

2009 Rate Increase is assumed to be in effect half of the year.
GFCs partially offset existing debt service

General Facility Charge Methodology

- Existing cost basis from system asset listing
- Maximum 10 years of interest to existing assets allowed
- Deduct grants and developer contributions
- Deduct debt service not paid for by GFC revenue
- Divided cost by maximum ERUs (equivalent residential units).
 - ✓ 3,681 ERU capacity (including Highlevel Reservoir)

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Debt Service

- Existing Debt Service \$200K - \$214K
- Existing Debt Service
 - ✓ Water/sewer revenue bond (replacement)
 - ✓ PWTF – 2002 Regional waterline study (growth)
 - ✓ PWTF – 1998 water reservoir (growth)
 - ✓ SRF – 1997 water filtration plant (replacement)
- New Debt Service
 - ✓ \$49K/year beginning in 2011 (replacement) – Base Case
 - ✓ \$73K/year beginning in 2011 (replacement) – Alternative Scenario
- Historically GFC revenue covered 70% of total debt
- Existing GFC revenue is estimated to be lower than historical levels due to the current state of the economy
- Evaluation indicated 33% of total debt should be funded from GFCs

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Rate & GFC Regional Comparisons

Water GFCs		
Bonney Lake	\$	8,255
Sultan Proposed		6,209
Duvall		6,153
Fife		5,275
Sultan		5,254
Stanwood		5,200
Monroe		4,335
Snohomish PUD		3,085
Sumner		2,614
Snohomish		2,580
Bothell		2,199
Everett		1,021

Water Rates		
Stanwood	\$	73.41
Duvall		48.59
Sultan Proposed		35.93
Snohomish		31.65
Sultan		29.75
Snohomish PUD		29.38
Bothell		29.20
Monroe		25.90
Bonney Lake		24.86
Sumner		18.08
Everett		17.60
Fife		17.46

Notes:
 Assumes 8ccf monthly usage
 Proposed rates assume half allowance scenario

Impacts to Typical Water Bills

Impacts to Typical Water Bills			
Customer	Existing Bill	Proposed Option 1	Proposed Option 2
Industrial Customer	\$ 195	\$ 214	\$ 231
Laundry Center	\$ 305	\$ 336	\$ 352
Small Business	\$ 233	\$ 256	\$ 258
Large Multifamily Complex	\$ 1,742	\$ 1,916	\$ 2,095
Medium Multifamily Complex	\$ 657	\$ 722	\$ 572

Notes:
 •Option 1: Across the board increases
 •Option 2: No allowance, reduced fixed charge, meter charges follow AWWA flow factors



**CITY OF SULTAN
WASHINGTON**

ORDINANCE NO. 1043-09

**AN ORDINANCE OF THE CITY OF SULTAN,
WASHINGTON, ADOPTING A FIVE YEAR WATER RATE
SCHEDULE AND A NEW INCREASED GENERAL
FACILITIES CHARGE; PROVIDING FOR
SEVERABILITY; AND ESTABLISHING AN EFFECTIVE
DATE.**

WHEREAS, pursuant to RCW 35.92.010 and RCW 35.92.025 the City through its legislative authority has the power and authority to establish rates for water service and also to establish a reasonable connection charge as a condition to granting the right to connect to the City's water system; and

WHEREAS, the City has conducted an investigation of the reasonable rates required to provide water service now and in the future; and

WHEREAS, the City has conducted an investigation of the historic costs of its water system and of interest and other factors influencing that cost for the purpose of determining an appropriate connection charge; and

WHEREAS, the City wishes to establish rates that are reasonable but necessary to operate its water system and wishes to establish charges that reflect the equitable share of the cost of the system for connection to the system; and

WHEREAS, the City of Sultan held a public hearing on April 23, 2009 and received public comment on adopting a five year water rate schedule for single-family, multi-family and commercial customers and increasing the general facilities charge to connect to the City's water system from \$5,254 to \$6,209; and

WHEREAS, the City of Sultan held first reading on May 14, 2009 to adopt a five year water rate schedule and increase the general facilities charge;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SULTAN, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1 Establishment of fees and charges for water service. Water rates are hereby established for the following categories of service beginning on December 1, 2009 as follows:

1. The words and phrases set out in this section are defined as follows:
 - A. "Low income senior citizen" means persons 62 years of age or older, on or before January 31st of the year of the filing for the discount. Low income is based on 125 percent of the federal poverty guidelines.
 - B. "Base rate" means the minimum monthly charge for water service.
 - C. "Rate" equals monthly base rate plus volume rate for each additional 100 cubic feet.
 - D. "Monthly base rate" is the rate tabulated in the two water rate schedules below. The rates differ for service within the city's corporate limits and without the city's corporate limits.
 - E. "Volume rate for each additional 100 cubic feet" refers to the applicable rate whether within the city's corporate limits or without for each additional 100 cubic feet or fraction thereof of water usage over the allowance set by the city council for the customer's unit.

2. All rates are per dwelling or commercial unit. An accessory dwelling unit is considered a dwelling unit.

WATER CONNECTIONS LOCATED WITHIN THE CITY'S CORPORATE LIMITS						
Effective Date:	12/1/2008	12/1/2009	12/1/2010	12/1/2011	12/1/2012	12/1/2013
Single-Family						
Base Rate	\$25.25	\$23.65	\$26.31	\$29.27	\$30.44	\$31.66
Volume Rate/100 cf > 300ccf "allowance"	\$2.28	\$2.54	\$2.83	\$3.15	\$3.28	\$3.41
Low-Income Senior						
Base Rate	\$12.63	\$11.83	\$13.16	\$14.64	\$15.22	\$15.83
Volume Rate/100 cf > 300ccf "allowance"	\$2.28	\$2.54	\$2.83	\$3.15	\$3.28	\$3.41
Multifamily						
Base Rate/Unit	25.25	\$15.78	\$17.56	\$19.54	\$20.32	\$21.13
Volume Rate/100 cf no "allowance"	\$2.28	\$2.54	\$2.83	\$3.15	\$3.28	\$3.41
Mobile Home Parks						
Base Rate/Unit	25.25	\$15.78	\$17.56	\$19.54	\$20.32	\$21.13
Volume Rate/100 cf no "allowance"	\$2.28	\$2.54	\$2.83	\$3.15	\$3.28	\$3.41

WATER CONNECTIONS LOCATED WITHIN THE CITY'S CORPORATE LIMITS						
Effective Date:	12/1/2008	12/1/2009	12/1/2010	12/1/2011	12/1/2012	12/1/2013
Commercial						
Base Rate by Meter						
3/4" Meter	\$27.25	\$16.74	\$18.62	\$20.71	\$21.54	\$22.40
1" Meter	\$38.15	\$27.96	\$31.11	\$34.61	\$35.99	\$37.43
1.5" Meter	\$49.05	\$55.74	\$62.01	\$68.99	\$71.75	\$74.62
2" Meter	\$79.03	\$89.22	\$99.26	\$110.43	\$114.85	\$119.44
3" Meter	\$299.75	\$333.47	\$370.99	\$385.83	\$401.26	\$417.31
4" Meter	\$381.50	\$424.42	\$472.17	\$491.05	\$510.69	\$531.12
6" Meter	\$572.25	\$636.63	\$708.25	\$736.58	\$766.04	\$796.68
8" Meter	\$790.25	\$879.15	\$978.06	\$1,017.18	\$1,057.87	\$1,100.18
Volume Rate/100 cf no "allowance"	\$2.28	\$2.54	\$2.83	\$3.15	\$3.28	\$3.41

3. For service outside the city limits, the charges shall be one hundred fifty percent (150%) of the standard in-city rate as established by the city council. "Outside of the city limits" shall mean any property that qualifies for one or more of the following:

- A. A majority of the property is situated outside of city limits
- B. A majority of fixtures on the property are outside of city limits; or
- C. A majority of the value of improvements is outside city limits

WATER CONNECTIONS LOCATED OUTSIDE THE CITY'S CORPORATE LIMITS						
Effective Date:	12/1/2008	12/1/2009	12/1/2010	12/1/2011	12/1/2012	12/1/2013
Single-Family						
Base Rate	\$37.88	\$35.48	\$39.47	\$43.91	\$45.66	\$47.49
Volume Rate/100 cf > 300ccf "allowance"	\$3.42	\$3.81	\$2.83	\$3.15	\$3.28	\$3.41
Low-Income Senior						
Base Rate	\$18.95	\$17.75	\$19.73	\$21.95	\$22.83	\$23.75
Volume Rate/100 cf > 300ccf "allowance"	\$3.42	\$3.81	\$2.83	\$3.15	\$3.28	\$3.41

WATER CONNECTIONS LOCATED OUTSIDE THE CITY'S CORPORATE LIMITS						
Effective Date:	12/1/2008	12/1/2009	12/1/2010	12/1/2011	12/1/2012	12/1/2013
Multifamily						
Base Rate/Unit	37.88	\$23.67	\$26.34	\$29.31	\$30.48	\$31.70
Volume Rate/100 cf no "allowance"	\$3.42	\$3.81	\$4.25	\$4.73	\$4.92	\$5.12
Mobile Home Parks						
Base Rate/Unit	37.88	\$23.67	\$26.34	\$29.31	\$30.48	\$31.70
Volume Rate/100 cf no "allowance"	\$3.42	\$3.81	\$4.25	\$4.73	\$4.92	\$5.12
Commercial						
Base Rate by Meter						
3/4" Meter	\$40.88	\$25.11	\$27.93	\$29.05	\$30.21	\$31.42
1" Meter	\$57.23	\$41.94	\$46.66	\$48.52	\$50.47	\$52.48
1.5" Meter	\$73.58	\$83.61	\$93.02	\$96.74	\$100.61	\$104.63
2" Meter	\$118.55	\$133.83	\$148.89	\$154.84	\$161.03	\$167.48
3" Meter	\$449.63	\$750.31	\$834.72	\$868.11	\$902.84	\$938.95
4" Meter	\$572.25	\$954.94	\$1,062.37	\$1,104.87	\$1,149.06	\$1,195.03
6" Meter	\$858.38	\$1,432.41	\$1,593.56	\$1,657.30	\$1,723.59	\$1,792.54
8" Meter	\$1,185.38	\$1,978.09	\$2,200.63	\$2,288.66	\$2,380.20	\$2,475.41
Volume Rate/100 cf no "allowance"	\$3.42	\$3.81	\$4.25	\$4.73	\$4.92	\$5.12

*Space occupancy and units are determined on January 1st and June 1st semi-annually for determination of number of units.

Section 2. Establishment of General Facilities Charge. The General Facilities Charge is hereby imposed on all parties seeking to connect to the water system a water general facilities charge as follows:

1. The charge per equivalent residential unit shall be, if paid before the city's close of business on November 30, 2009, \$5,254. If paid thereafter, the charge per equivalent residential unit shall be \$6,209.
2. The General Facilities Charge may be adjusted annually during the budget process to capture capital costs from the 6-year Capital Improvement Plan (CIP) and changes in the Engineering News Record Construction Cost Index

3. A \$1,000 additional charge shall be assessed for water meter, installation and inspection for units not within an approved development or plat.
4. A \$300.00 additional charge shall be assessed for water meter, installation and inspection for units within an approved development or plat.
5. The charges imposed by this subsection shall be in addition to any charges due under an approved latecomer or cost recovery contract.

Section 3. Severability. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 4. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication, but no sooner than December 1, 2010

**ADOPTED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON
THE _____ DAY OF _____, 2009.**

CITY OF SULTAN

Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

Laura Koenig, City Clerk

Approved as to form:

Margaret J. King, City Attorney

Ordinance: 1043-09

Passed by the City Council:

Date of Publication:

Effective Date:

**CITY OF SULTAN
WASHINGTON**

ORDINANCE NO. 1044-09

AN ORDINANCE OF THE CITY OF SULTAN, WASHINGTON, AMENDING SECTION 13.12.010 (C) “PAYMENT OF BILL ENFORCEMENT”; SECTION 13.12.020 “SHUT-OFF CHARGES”; SECTION 13.12.050(B) “PAYMENT RESPONSIBILITY”; SECTION 13.12.060 “RIGHTS OF ENTRY”; SECTION 13.12.070 “UNLAWFUL INTERFERENCE OR TAMPERING; REPEALING AND REPLACING SECTION 13.12.080(A) “WATER RATES AND SECTION 13.12.080(B) “WATER GENERAL FACILITIES CHARGE”; BY UPDATING POSITION TITLES, ESTABLISHING FEES BY SEPRATE RESOLUTION; INCREASING FINES AND PENALTIES; AND ESTABLISHING WATER RATES AND WATER GENERAL FACILITIES CHARGE BY SEPARATE ORDINANCE; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, Sultan Municipal Code Sections 13.12.010 and 13.12.020 refer to the position of city clerk/treasurer and utility superintendant; and

WHEREAS, the City Council has replaced the positions of city clerk/treasurer and utility superintendent with the positions of finance director and public works director; and

WHEREAS, the City Council has determined property owners are ultimately responsible for water utility payments even in cases where the property owner is leasing the premises to a tenant; and

WHEREAS, the City Council has determined to update the fines for tampering with the water system to reflect inflationary adjustments in the cost of living since the fines were established in 1976; and

WHEREAS, the City Council has determined to remove specific rates and charges from the Sultan Municipal Code and establish rates and charges by separate ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SULTAN, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Sultan Municipal Code 13.12.010 (C). The existing SMC Section 13.12.010(C) “Payment of bill – Enforcement” is hereby amended to read as follows:

(C) If payments are not made within thirty (30) days after mailing of the bills, the finance director~~city clerk/treasurer~~ or representative, upon giving ten (10) days' written notice to the owner and/or occupant of the premises, shall notify the utility department~~public works department~~ to shut off the water service to the premises until such time as all delinquent bills and service charges have been paid in full.

Section 2. Sultan Municipal Code 13.12.020 Shut-off charges -Conditions for turning on again, is hereby amended to read as follows:

- (A) In the event that the utility superintendent~~public works director~~ or representative shuts off water service by reason of a delinquent account, a shut-off charge ~~of \$10.00~~ shall be assessed and shall become a lien against the premises.
- (B) If the customer requests that service be turned on again, an additional charge ~~of \$10.00~~ shall be assessed.
- (C) No water service shall be turned on until such time as all delinquent bills and assessments provided for herein have been paid in full or satisfactory arrangements, at the discretion of the city clerk/treasurer~~finance director~~ or representative, have been made. No service shall be reconnected after normal working hours of the public works department except in the case of emergency.
- (D) All shut-off and related charges shall be established by resolution.

Section 3. Sultan Municipal Code 13.12.050(B), Payment responsibility, is hereby amended to read as follows

- (B) The city will bill all accounts to the owner of the property to which utility services are being provided unless one of the following arrangements is made for the tenant to be billed for utility services: (1) the landlord ~~may~~ shall sign a contract with the city which makes the landlord responsible for the utility charges and the property subject to the utility charge lien if the tenant allows that account to become delinquent; (2) the landlord may request that the account be billed to the tenant provided that all charges to date have been paid and that the account is kept current by the tenant. No tenants of multiple-dwelling units will be billed separately.

Section 4. Sultan Municipal Code 13.12.060, Rights of entry, is hereby amended to read as follows:

The utility superintendent~~public works director~~ or representative shall have free access at all reasonable hours to building premises to which water service is rendered for the purpose of inspecting the same and also for the purpose of exercising the right of water shutoff, either personally or by other employees or contractors of the city, in the event such account becomes delinquent.

Section 5. Sultan Municipal Code 13.12.070, Unlawful interference or tampering with system unlawful – Penalty, is hereby amended to read as follows:

Every person who willfully damages, interferes or tampers with the water system of the city, or who makes an unauthorized connection thereto, or who turns water service on or off from a premises without permission from the ~~utility superintendent~~ public works director or representative shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than ~~\$25.00~~ \$250 nor more than ~~\$250.00~~ \$1,000.00 in addition to all outstanding water service charges.

Section 6. Repeal 13.12.080(A) “Water Rates”. The existing SMC Section 13.12.080(A) “Water Rates” is hereby repealed in its entirety and replaced with the following.

Water rates shall be set by separate ordinance and included as an attachment to the annual fee schedule adopted by the City Council.

Section 7. Repeal 13.12.080 (B) “General Facilities Charge”. The existing SMC Section 13.12.080(B) “General Facilities Charge” is hereby repealed in its entirety and replaced with the following.

1. A water general facilities charge shall be assessed at time of application for a new connection to the Sultan water system or at time of expansion or change of use of a facility when the water usage is expected to increase.

2. A general facilities charge shall be as established by the city council by separate ordinance. The amount set by such ordinance shall be the amount paid per equivalent residential unit (ERU).

- a. Single-family residences will be charged for one ERU.
- b. Accessory Dwelling Unit (ADU).
 - i. Attached Unit. No separate charge and included in the residential per unit cost of the principal use.
 - ii. Detached Unit. Fifty percent of an equivalent residential unit.
- c. ERUs for new multi-family and commercial customers shall be based on the size of water meter needed to supply the customer's calculated peak demand.
- d. ERU's for Public and Private Parks, Recreational and Open Space Areas or Facilities. Based upon the size of the water meter needed to supply the facility's peak calculated water demand.
- e. Nonprofit Social Service Agencies. Exempt from all or a portion of the commercial connection charge as determined by the public works director to reflect the mission of the agency to provide assistance to the poor, elderly, or disabled.

f. In no case shall the ERU amount be less than one.

Meter Size	ERU
5/8 x 3/4 inch	1
1 inch	1.5
1-1/2 inches	2
2 inches	2.5
3 inches	4
4 inches	5.5
6 inches	8
8 inches	10.5

Section 8. Severability. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 9. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

ADOPTED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE _____
_____ DAY OF _____, 2009.

CITY OF SULTAN

Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

Laura Koenig, City Clerk

Approved as to form:

Margaret J. King, City Attorney

Ordinance: 1044-09

Passed by the City Council:

Date of Publication:

Effective Date:

Sent: Friday, April 17, 2009 10:48 AM
To: Deborah Knight
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Deborah,

I am not uncomfortable with your idea. It will save me saying it again at the Council meeting.

Thank you,

AI

----- Original Message -----

From: [Deborah Knight](#)

To:

Cc: ['Carolyn Eslick'](#); ['Dale Doornek'](#); ['Jim Flower'](#); ['Kristina. Blair'](#); ['Ron Wiediger'](#); ['Ron. Wiediger'](#); sarah.davenport-smith@ci.sultan.wa.us; ['Steve. Slawson'](#); ['Brand, Jeffrey'](#); ['Connie Dunn'](#); donna.murphy@ci.sultan.wa.us; ['Laura Koenig'](#); ['Margaret King'](#); robert.martin@ci.sultan.wa.us; ['Angie Sanchez'](#); ['Jeffrey Beeler'](#); ['Bob Knuckey'](#)

Sent: Friday, April 17, 2009 10:11 AM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

AI,

I would like to redact your name and e-mail address and include your comments as an attachment to the agenda cover for the public hearing on April 23. Please let me know if you are uncomfortable with me including your comments in the agenda packet.

Thanks,

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From:

Sent: Thursday, April 16, 2009 4:15 PM

To: Deborah Knight

Cc: ['Carolyn Eslick'](#); ['Dale Doornek'](#); ['Jim Flower'](#); ['Kristina. Blair'](#); ['Ron Wiediger'](#); ['Ron. Wiediger'](#); sarah.davenport-smith@ci.sultan.wa.us; ['Steve. Slawson'](#); ['Brand, Jeffrey'](#); ['Connie Dunn'](#); donna.murphy@ci.sultan.wa.us; ['Laura Koenig'](#); ['Margaret King'](#); robert.martin@ci.sultan.wa.us; ['Angie Sanchez'](#); deborah.knight@ci.sultan.wa.us; ['Jeffrey Beeler'](#); ['Bob Knuckey'](#)

Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Deborah,

My comments are in your text.

AI

----- Original Message -----

From: [Deborah Knight](#)

To:

Cc: ['Carolyn Eslick'](#) ; ['Dale Doornek'](#) ; ['Jim Flower'](#) ; ['Kristina Blair'](#) ; ['Ron Wiediger'](#) ; ['Ron Wiediger'](#) ; sarah.davenport-smith@ci.sultan.wa.us ; ['Steve Slawson'](#) ; ['Brand Jeffrey'](#) ; ['Connie Dunn'](#) ; donna.murphy@ci.sultan.wa.us ; ['Laura Koenig'](#) ; ['Margaret King'](#) ; robert.martin@ci.sultan.wa.us ; ['Angie Sanchez'](#) ; deborah.knight@ci.sultan.wa.us ; ['Jeffrey Beeler'](#) ; ['Bob Knuckey'](#)

Sent: Thursday, April 16, 2009 3:50 PM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

AI,

A rate increase is not a tax. By law, water rates must cover water expenses you "can't take money from somewhere else". (I'm suggesting that other taxes in other area are decreased to offset the increase in the Water "fee")

Certainly one option is to reduce expenses. The Council went through the budget last year and reduced expenses turning a \$143,000 deficit in the water fund into a \$95,000 ending fund balance. However, debt service payments for plant improvements to serve current customers were transferred to the capital budget. The city is robbing peter to pay paul. (Sometimes I have to rob Peter to pay Paul in my business and my family budget -- That's life)If this has to continue until the economy recovers, there may be no money left in the capital budget to fund improvements to serve future growth as required. (Then we will deal with it at that time. If you are upside down in your finances, do you get your credit cards and go spent more on them?) In effect, new customers are paying expenses to serve current customers (the current customers are still paying the "fee"). and there is no money to build system improvements to meet future needs when the time comes. I can send you a copy of the 2009 water fund operating and capital budgets to review

The council can choose to further cut expenses and delay improvements but each of these decisions comes with costs. (of course they do, but that is life and I don't complain about it, I figure out how to do with what I have) Either the city makes small annual increases or delays the increases to a point where the system begins to fall apart (that is why priorities are important and you chop the less important items - that's life) and major rate increases are required all at once. (Again, Prioities).

Adopting a rate increase is a choice both the Council and the community have to make. Delaying rate increases does not make the current problems go away --(again prioities, I know these problems don't go away, just like family problems don't go away and they are painful also, but that is life and we deal with it because we have to.) it just delays the pain. Our job as city staff is to identify problems and alternatives. I am always open to alternative suggestions. (I am glad that you are open to alternatives, because we need to find some alternative to raising taxes or "fees" The more people who are involved in the decision making process the better the outcome.

I appreciate the time you are putting into understanding the problem and looking for other options. I look forward to seeing you next Thursday. (Thank you, but increased "fees" and taxes should be the absolute last resort. When times are good, spending goes up and when revenues drop spending must go down. That is why small government is better.)

Thank you,

AI

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From:
Sent: Thursday, April 16, 2009 2:48 PM
To: Deborah Knight
Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Deborah,

Especially in this economy and looking into the future economy, the City of Sultan needs to arrange its priorities in such a fashion as not to raise taxes on the citizens of Sultan. We citizens have been cutting and arranging our priorities and I EXPECT the City to do likewise.

If you can't make it work in the Water Dept, then you need to cut somewhere else to make it work. We can not go to our employers and our customers and get extra money just because we can't make it on what we have now. We cut and do what we have to to survive until things get better. I expect the City to do the same.

AI

----- Original Message -----

From: [Deborah Knight](mailto:Deborah.Knight@ci.sultan.wa.us)
To:
Cc: '[Carolyn Eslick](mailto:Carolyn.Eslick@ci.sultan.wa.us)'; '[Dale Doornek](mailto:Dale.Doornek@ci.sultan.wa.us)'; '[Jim Flower](mailto:Jim.Flower@ci.sultan.wa.us)'; '[Kristina. Blair](mailto:Kristina.Blair@ci.sultan.wa.us)'; '[Ron Wiediger](mailto:Ron.Wiediger@ci.sultan.wa.us)'; '[Ron. Wiediger](mailto:Ron.Wiediger@ci.sultan.wa.us)'; 'sarah.davenport-smith@ci.sultan.wa.us'; '[Steve. Slawson](mailto:Steve.Slawson@ci.sultan.wa.us)'; '[Brand, Jeffrey](mailto:Brand.Jeffrey@ci.sultan.wa.us)'; '[Connie Dunn](mailto:Connie.Dunn@ci.sultan.wa.us)'; 'donna.murphy@ci.sultan.wa.us'; '[Laura Koenig](mailto:Laura.Koenig@ci.sultan.wa.us)'; '[Margaret King](mailto:Margaret.King@ci.sultan.wa.us)'; 'robert.martin@ci.sultan.wa.us'; '[Angie Sanchez](mailto:Angie.Sanchez@ci.sultan.wa.us)'
Sent: Thursday, April 16, 2009 2:01 PM
Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

City staff serve at the pleasure of the Sultan community, Council and Mayor. However, putting the City of Sultan government on unemployment won't change the long-term need to operate the water treatment plan and fund repair and replacement of the City's infrastructure or prepare for the future growth that is planned for this community.

One option would be to move the water and sewer services to a separate taxing district (water/sewer district) with a separate elected board. This would be a way to manage the water and sewer systems separately from the city. The council could also choose to outsource garbage collection and the cemetery. Eliminating these services would significantly reduce staff at city hall.

Please feel free to contact me if you want additional information about the proposed rate increase or creating a separate water/sewer district.

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From:
Sent: Thursday, April 16, 2009 12:39 PM
To: Deborah Knight
Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

I'm thinking we (citizens of Sultan) need to put the City of Sultan government on unemployment. Maybe you will get it then.

Al

----- Original Message -----

From: [Deborah Knight](#)

To:

Cc: '[Carolyn Eslick](#)'; '[Dale Doornek](#)'; '[Jim Flower](#)'; '[Kristina Blair](#)'; '[Ron Wiediger](#)'; '[Ron Wiediger](#)'; 'sarah.davenport-smith@ci.sultan.wa.us'; '[Steve Slawson](#)'; '[Brand, Jeffrey](#)'; '[Connie Dunn](#)'; 'donna.murphy@ci.sultan.wa.us'; '[Laura Koenig](#)'; '[Margaret King](#)'; 'robert.martin@ci.sultan.wa.us

Sent: Wednesday, April 15, 2009 7:56 AM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

Thanks for your comments.

Please review the attached powerpoint for the details regarding the increase. The proposed increase is necessary to ensure that water rates cover water expenses. Without the proposed increase the water fund will have a growing deficit in the operating fund which is not allowed by state law.

I would be happy to meet with you and review the spreadsheets.

You can give me a call if you want to understand the city's proposal in more detail.

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From:

Sent: Wednesday, April 15, 2009 6:16 AM

To: Deborah Knight

Cc: jimflower58@yahoo.com; GAREY L. MARKLEY; Mike Ingalls

Subject: Fw: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

The more I think about it the actual increase is more like 92.5 %

Time for you robbers to go to jail !

Al

----- Original Message -----

From:
To: [Deborah Knight](#)
Cc: jimflower58@yahoo.com ; [GAREY L. MARKLEY](#) ; [Mike Ingalls](#)
Sent: Wednesday, April 15, 2009 6:04 AM
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

So, your proposal is to decrease the base amount of water charged for (a 50% decrease) and decreasing the base rate from \$25.25 to 23.38 (about a 7.5% decrease). So this relates to about a 42.5% increase in the rate.

ALL IN THE NAME OF ENCOURAGING WATER USE EFFICIENCY? THIS IS BULLSHIT RIGHT OUT FRONT.

ALONG WITH A PROPOSAL TO CHARGE AN AXTRA \$20 FOR CAR TABS.

WHEN WILL THE GOVERNMENT EVER CUT BACK ITS SPENDING?, WHEN THE TAXPAYER HAS HAD TO CUT BACK ON THEIR SPENDING.

AI

----- Original Message -----

From: [Deborah Knight](#)
To: public.notices@ci.sultan.wa.us
Sent: Tuesday, April 14, 2009 6:33 PM
Subject: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Date: April 14, 2009

For Immediate Release

SULTAN HOLDS PUBLIC HEARING ON WATER RATE INCREASE

The Sultan City Council will hold a public hearing and take comment on a proposed water rate increase and a proposed increase from \$5,254 to \$6,209 in the charge for new development to connect to the City's water system. The public hearing will be held at the City Council meeting on Thursday, April 23, 2009 at approximately 7:00pm in the Sultan Community Center located at 319 Main Street in Sultan. If approved by the City Council the water rates under consideration will be effective on December 1, 2009.

The preferred alternative under consideration revises the water rate structure by lowering the base rate charged for water from \$25.25 to \$23.38. The amount of water included in the base rate would decrease from 600 cubic feet of water (6ccf) per month to 300 cubic feet (3ccf) of water per month. The proposed rate structure meets the state requirements for encouraging water use efficiency.

Under the preferred alternative, residential customers who use less than 2 ccf per month would decrease their water bills by \$1.87 per month from \$25.25 per month to \$23.38 per month. Residential customers who use less than 4 ccf/month would have an increase of \$.64 from \$25.25/month to \$25.89 per month. Residential customers who use 6 ccf per month would pay \$30.91/month for water. Water rates continue to increase as water usage increases. Currently, the average Sultan family pays \$26.06 per month for water use.

Under the existing water rate structure, the majority of the City's water revenues come from the base rate rather than the volume of water used. The majority of "usage" is not billed because it is in the fixed base rate. Low water users are in effect paying for high water users. The study found that City water rates should be changed to make them more equitable for all customers and provide the necessary revenue for operating expenses, repair and replacement of existing water pipes and water plant facilities.

The last water rate study was completed in 2004 and set a \$2/year increase in the base water rates for five years. The last rate increase took effect December 1, 2008. The proposed water rates are based on a water rate study performed by FCS Group in 2008.

The City Council approved a water rate study in 2008 in part because water revenues were not adequate to cover operating expenses in the 2008 budget after cutting expenses in the operating budget. Since the water utility is an enterprise fund, the user fees and revenues collected must cover expenses. The

rate study indicates without the proposed rate increase there will be a net deficiency in the water utility fund of approximately \$151,000 in 2010 growing to an estimated \$350,000 by 2014.

The results of the study were presented to the City Council at the Council retreat in March and at the City Council meeting on April 9, 2009. For more information contact Public Works Director, Connie Dunn at 360-793-2231 or visit the City's website at www.ci.sultan.wa.us.

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us